

## IMPACT OF EMPLOYEE REWARD SYSTEM ON ORGANISATIONAL PERFORMANCE

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**DOI No. – 08.2020-25662434**

### Abstract

*The study describes the impact of an employee reward system on employee productivity in selected service sector organisations in Hyderabad; it focuses on the effects of a reward system on employee commitment and loyalty to the organisation; and it demonstrates the impact of a flat-rate system on employee work values in the organisation. A sample of 206 individuals was chosen from 10 service sectors in the Hyderabad region, with primary data collected using a questionnaire as an instrument. According to the findings, rewarding employees has a considerable impact on staff performance and productivity. Employees' work values were negatively impacted by the flat rate system. The research work concludes that there is a positive impact productivity of the employees on rewarding them which creates an opportunity for employers to use rewarding as a motivating factor to fine tune employees with the organisational goals.*

**Keywords:** Reward system, employee productivity, flat-rate system, work values

### INTRODUCTION

Today, reward system is most effective competitive tool to many firms. Globalisation has made the business firms to be more innovative, proactive and creative for the survival and now transcends national boundaries (Ezibgo, 2011). It's not just the profit maximisation but also performance maximisation has become the major issue for organisations. The success of the firms depends not only on the human capital available but also on the ability to trigger the best productivity from the available human capital. With well motivated employees performance can be manifested on organisational productivity, which leads the individuals to focus on behaviour, skills, knowledge, ethics (Pratheepkanth, 2011).

Generally workforce is motivated by the reward they receive for the work done. The nature of the reward motivates the employee on job. Hence remuneration is the factor which improves the performance of employees by enhancing the quality, positive work attitudes to fine tune with organisation goals.

Reward system is crucial to the organisation, through this they have the ability to attract the right employee retain them and motivate them to give desirable performance (Otieno, 2006). Performance of the employee on job is an indication of organisations capacity to achieve the goals efficiently (Venkatraman & Ramanujam 1986), which can be evaluated in many ways like employee commitment, work values, loyalty etc, which is associated with quality and quantity of the results.

### LITERATURE REVIEW

The system of employee reward can be traced back to an era of scientific management, although scientific management is not a reward system as stated by Taylor, Taylor focused on the need for the management to develop plan that offer higher wages and low labour costs to employers, this was illustrated in Piece-rate plan system (Taylor, 1947). Though Peach and Wren (1992) traced the evolution of pay for performance to the 1950s, many management programs existed in 1915s which are identified with the names of management engineers themselves like: the Gantt system, Taylor system, The Emerson system etc (Nodworny, 1957).

Hafiza et al. (2011) mentions the norm of reciprocity, which focus on the ability to fulfil needs of workers and give them best reward for their efforts, employees should reciprocate by enhancing the commitment towards their work. Many studies shown that the firms perform creatively (Eisenberger et al. 1998; Eisenberger & Rhoades, 2001).

Danso et al. (2013) carried out research work on effects of rewards systems on employees performance in Ghana Commercial Bank and found out that reward systems misuses is one of the problem confronting many banks in West African region.

Nyandema et al. (2014) examined the effect of intrinsic reward on motivation among employees as well as the effect of extrinsic reward on motivation among employees and concluded that both intrinsic and extrinsic reward systems affect career development and motivation among Kenyan firms. Furthermore, studies such as (Bello & Adebajo, 2014; Jesca, 2014; Murphy, 2015) come into the same submissions.

Peach & Wren (1992) traced the evolution of pay for performance to the 1950s, many management programs had existed in the 1915s many of which were identified with the names of the management engineers themselves like: the Taylor system, the Gantt system, Emerson system and so on (Nadworny, 1957).

### **OBJECTIVE OF THE STUDY**

- To assess the effect of reward system on employee productivity in selected service sectors in Hyderabad.

### **RESEARCH METHODOLOGY**

The study adopted two hundred respondents working at all the levels from twenty service industries from Hyderabad region. The data was collected through primary data by using structured questionnaire; needed secondary data was collated from different secondary sources as per the need. Data from the questionnaire was analysed with frequency distribution and percentage table. To determine the reliability of the instrument test- retest method was used, Spearman rank correlation coefficient was used to determine the coefficient of reliability of instrument. Spearman rank correlation coefficient was found to be very denoting that there is a high reliability in survey items.

### **DATA ANALYSIS**

Opinion of respondents to the survey questions\ statements ranging from strongly agrees (5), agree (4), neutral (3), disagree (2) and strongly disagree (1)

**Table no. 1 Opinion of respondents**

How does profit sharing effects employee performance	SA %	A %	N %	D %	SD %	Total %
Rewarding has positive effect on performance	89 (44.5)	63(30.5)	32 (15.5)	12(5.8)	04 (1.94)	206 (100)
Profit sharing enhances employee performance	71 (34.4)	59 (28.6)	20 (9.70)	30(14.4)	20 (9.70)	206(100)
Pay package depends on profit of organisation	50 (24.2)	38 (18.4)	60 (29.1)	22 (10.6)	30 (14.5)	206(100)
Job satisfaction has positive impact on employee performance	53(25.7)	79 (38.3)	32 (15.5)	22 (10.6)	14 (6.79)	206(100)
Individual rewarding impact positively on group collaboration	60 (29.1)	50 (24.2)	34(16.5)	29(14.0)	27 (13.1)	206(100)

### HYPOTHESES

H1: There is significant impact of all the dimensions of talent management on organisational performance.

H1.1: There is significant impact of reward on organisational performance.

H1.2: There is significant impact of Profit sharing on organisational performance.

H1.3: There is significant impact of Pay package on organisational performance.

H1.4: There is significant impact of Job satisfaction on organisational performance.

H1.5: There is significant impact of Individual reward system on organisational performance.

**Table no. 2: Reliability**

Sl. no	Dimensions	No. of items	Cronbach alpha
1	Reward system	4	.816
2	Profit sharing	5	.881
3	Pay package	2	.700
4	Job satisfaction	5	.838
5	Individual rewarding	4	.724
6	Organisational performance	18	.931

### INTERPRETATION

The value of Cronbach alpha is greater than 0.6 for all the dimensions. So the instrument used for the study is reliable and there is an internal consistency between the items.

**Table no. 3: Frequencies**

Statistics				
		Age	Gender	Tenure with the current organisation
N	Valid	206	206	206
	Missing	0	0	0
Mean		1.14	1.40	
Median		1.00	1.01	

Mode		1	1	
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### INTERPRETATION

- The values of mean, median and mode on the basis of age are 1.14, 1.00 and 1 respectively for 206 sample size.
- The values of mean, median and mode on the basis of gender are 1.40, 1.01 and 1 respectively for 206 sample size.

**Table no. 4: Descriptive statistics**

	N	Minimum	Maximum	Mean		Std. deviation
	statistics	statistics	statistics	statistics	std. error	statistics
Reward system	206	1	5	3.34	0.53	.763
Profit sharing	206	1	5	3.39	0.48	.689
Pay package	206	1	5	3.41	0.44	.0629
Job satisfaction	206	1	5	3.45	0.46	.659
Individual rewarding	206	1	5	3.47	0.60	.659
Organisational performance	206	1	5	3.49	0.53	.775
Valid N	206					

### INTERPRETATION

The value of mean for all the dimensions ranges from 3.34 to 3.49 hence it is concluded that it is an above average mean.

**Table no. 5: Correlations**

Correlations		Reward system	Profit sharing	Pay package	Job satisfaction	Individual rewarding	Organisational performance
Reward system	r	1	.634**	.642**	.649**	.534**	.773**
Profit sharing	r		1	.609**	.750**	.720**	.792**
Pay package	r			1	.688**	.602**	.775**
Job satisfaction	r				1	.680**	.758**
Individual rewarding	r					1	.716**
Organisational performance	r						1

\*\* .Correlation is significant at 0.01 level (2-tailed).

### INTERPRETATION

The table shows that all the dimensions are positively correlated with each other as the value of Pearson correlation coefficient ranges from +1 to -1, dimensions show a positive linear relationship with each other.

### FINDINGS

Study shows the respondents of age group 25 to 35 are more satisfied with the dimensions undertaken for the study. Male employees are looking for a better rewarding system than the present one for career prospects, very few female employees are looking for change compared to men, the

dimensions used for the study results high on the dependent variable i.e., organisational performance. Respondents opined that organisations need to focus more on different ways to attract and retain human capital and keep updated with the business environment to minimize attrition, absenteeism and improve overall performance.

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